
By: **Delegate Barve**
Introduced and read first time: January 31, 2001
Assigned to: Economic Matters

Committee Report: Favorable with amendments
House action: Adopted
Read second time: February 27, 2001

CHAPTER _____

1 AN ACT concerning

2 **Insurance - Improper Premiums and Charges - Policy Fee Charged by**
3 **Surplus Lines Brokers**

4 FOR the purpose of ~~repealing~~ altering a certain limit on the policy fee that a surplus
5 lines broker may charge on each policy procured by a qualified agent or qualified
6 broker to whom the surplus lines broker pays a commission; and specifying
7 different fee limits for a personal lines policy and a commercial lines policy.

8 BY repealing and reenacting, without amendments,
9 Article - Insurance
10 Section 27-216(a)
11 Annotated Code of Maryland
12 (1997 Volume and 2000 Supplement)

13 BY repealing and reenacting, with amendments,
14 Article - Insurance
15 Section 27-216(d)
16 Annotated Code of Maryland
17 (1997 Volume and 2000 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
19 MARYLAND, That the Laws of Maryland read as follows:

1

Article - Insurance

2 27-216.

3 (a) A person may not willfully collect a premium or charge for insurance if the
4 insurance is not then provided, or is not in due course to be provided subject to
5 acceptance of the risk by the insurer, in a policy issued by an insurer as authorized by
6 this article.

7 (d) (1) Notwithstanding subsection (a) of this section, a surplus lines broker
8 that holds a certificate of qualification under Title 3, Subtitle 3 of this article may
9 charge a reasonable policy fee[, not exceeding \$75,] ~~on each policy procured by a~~
10 ~~qualified agent or qualified broker to whom the surplus lines broker pays a~~
11 ~~commission not exceeding;~~

12 (I) \$100 ON EACH PERSONAL LINES POLICY PROCURED BY A
13 QUALIFIED AGENT OR QUALIFIED BROKER TO WHOM THE SURPLUS LINES BROKER
14 PAYS A COMMISSION; OR

15 (II) \$250 ON EACH COMMERCIAL LINES POLICY PROCURED BY A
16 QUALIFIED AGENT OR QUALIFIED BROKER TO WHOM THE SURPLUS LINES BROKER
17 PAYS A COMMISSION.

18 (2) The policy fee charged in accordance with this subsection must be
19 reasonably related to the cost of underwriting, issuing, processing, and servicing the
20 policy by the surplus lines broker for the surplus lines insurer.

21 (3) Notwithstanding subsection (a) of this section, a surplus lines broker
22 that holds a certificate of qualification under Title 3, Subtitle 3 of this article may
23 recoup from the prospective insured the actual cost of an inspection required for the
24 placement of surplus lines insurance if:

25 (i) the inspection is required by the surplus lines insurer;

26 (ii) the cost of the inspection is actually incurred by the surplus
27 lines broker and not retained by the surplus lines broker;

28 (iii) the surplus lines broker does not have a financial interest in
29 and does not receive compensation from the person that performs the inspection; and

30 (iv) the cost of the inspection is documented and verifiable.

31 (4) Regardless of the number of insurers participating on a risk:

32 (i) only one inspection fee may be charged to recoup the actual cost
33 of an inspection under paragraph (3) of this subsection for each policy or certificate of
34 coverage; and

35 (ii) only one policy fee may be charged under paragraph (1) of this
36 subsection for each policy or certificate of coverage.

1 (5) On a form approved by the Commissioner, the surplus lines broker
2 shall make a clear and conspicuous written disclosure of:

- 3 (i) any inspection fee;
- 4 (ii) the total amount of the policy fee; and
- 5 (iii) the premium tax on the policy.

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
7 October 1, 2001.